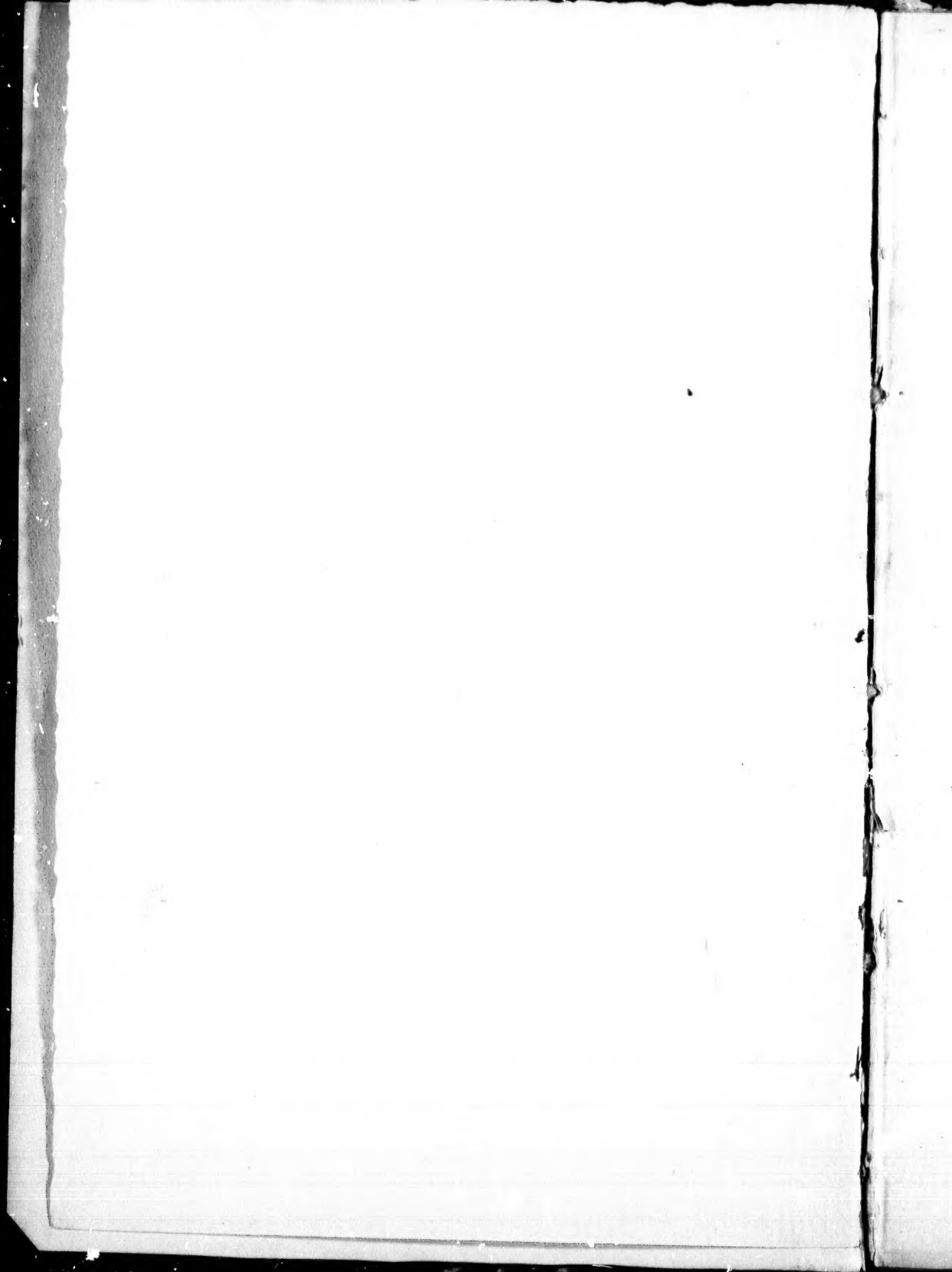


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THE RAILWAY QUESTION IN CANADA.



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THE
RAILWAY QUESTION

IN CANADA

WITH AN EXAMINATION OF

THE RAILWAY LAW OF IOWA



BY
J. S. WILLISON.

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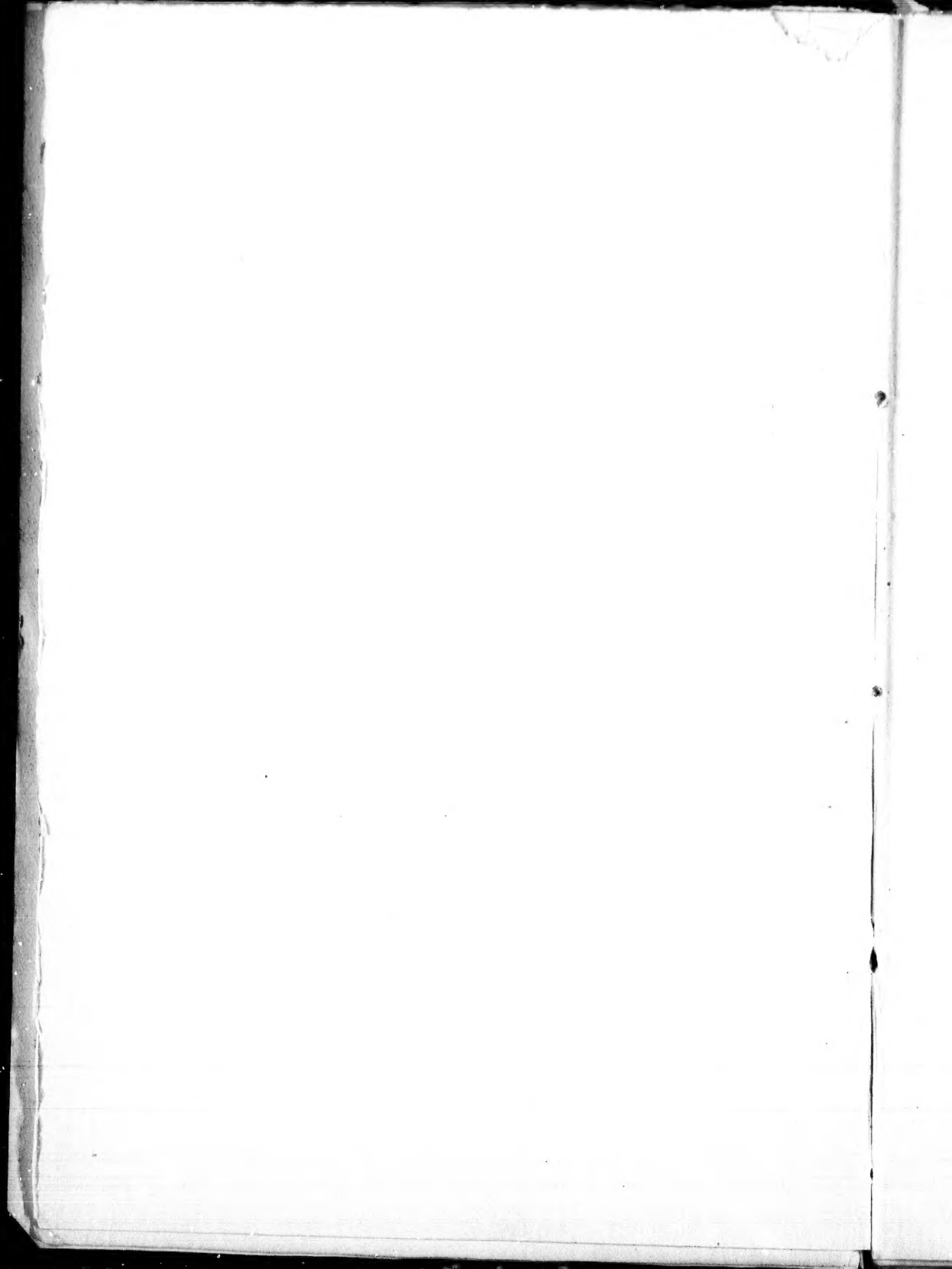
INTRODUCTORY NOTE.



The part of this pamphlet dealing with freight rates in the west is reproduced from a letter written after a visit to Manitoba, the Territories and British Columbia a year and a half ago. There may have been recent reductions in these rates, but the facts and figures I have used will at least explain the strong feeling of antagonism to the Canadian Pacific Railway which finds voice in Western Canada. Then one doubts if the discriminations have been remedied, and heavy local charges remain. The section of the pamphlet dealing with the railway laws of Iowa, and the practical working of these laws, is little more than a condensation of Dr. Dixon's admirable work, "State Railroad Control," one of the most useful, lucid and instructive of the many books devoted to the railway question that have appeared in the United States.

J. S. W.

Toronto, April, 1897.



THE RAILWAY QUESTION.

I.

WE, in Canada, have not yet recognized the magnitude of the railway question and perhaps have not quite conceded the failure of the Railway Committee of the Privy Council as an instrument for the regulation of railway charges. The truth is however, that the transportation agency is one of the most absolute of commercial forces in its effects upon the welfare of individuals and communities, that the Canadian railways are under no adequate measure of public control, and that the Railway Committee has acted as the mere register of the decrees of the carrying corporations. In determining questions touching right of way, terminal differences and junction crossings the committee has shown some capacity for usefulness ; but in regulating rates, in preventing discriminations, in protecting the individual shipper, or the individual community against the calculated injustice or the insidious aggression of railway managers it is inert and impotent, a farce and a failure. It is therefore of the first importance that the government should make the Railway Committee effective for the purposes for which it was designed, or that parliament should devise new machinery for the regulation of railway charges and the control of the carrying corporations. It is not necessary to argue for the right and authority of Parliament to regulate common carriers. The railway is not so much a private enterprise as a creation of the state

holding public franchises, and the right to control and regulate is properly and irrevocably established even in the case of roads that have not received land grants or money subsidies. The railway law of Canada declares that under the same circumstances all tolls shall be charged equally to all persons with no reduction or advance directly or indirectly in favor of or against any particular company or person travelling upon or using the railway; the law prohibits any secret special rate, rebate, drawback or concession, and any company, on demand of any person, shall make known to him any such arrangement with anyone; the law prohibits discrimination between localities except where competition by water or rail may afford a justification; the law provides that no tolls shall be levied before being approved by the Governor-in-Council, and that tolls are subject to revision; it provides that all rates are to be printed and posted up in a conspicuous position in every place where the tolls are to be collected; that a printed copy of so much of any by-law, rule or regulation as affects any person other than the company and its employes shall be posted in a conspicuous place in every station; and finally, that except as to traffic to or from the United States the company shall conform to any uniform classification of freight which the Governor-in-Council prescribes. Over the main line of the Canadian Pacific Railway the right of public control is limited by the clause which prohibits reduction of rates until the earnings net ten per cent. on the capital invested but even here while we have not the absolute right to reduce we have probably the right to

prevent discriminations between individual shippers and rival communities, and therefore in the main the question we have to consider is the enforcement of the law now on the statute books rather than the enactment of new legislation or the further assertion of the authority of Parliament over the carrying corporations.

II.

We have put over \$260,000,000 into railways and canals. The Intercolonial Railway, which cost nearly \$50,000,000, and the canals, which cost \$65,000,000, are owned by the Government. The public outlay on the Canadian Pacific is put at over \$60,000,000. The bonuses to the Grand Trunk system amount to \$25,000,000, and \$100,000,000 of the private capital of British investors is sunk in this enterprise. But from all the provinces, and particularly from Western Canada, there are still demands for huge expenditures on railway projects. The situation therefore requires careful and patriotic handling. It may be that for some years to come we must continue to aid strictly colonization roads, but it is doubtful if in older Canada we have not built railways in excess of the needs of the community. At any rate, outside of the new districts we can leave the construction of railways to private enterprise, and relieve the lobby of parliament of the intrusive presence, and the treasury of the exhausting drain of the army of railway promoters who for some years have constituted a sort of third chamber at Ottawa, and have been hardly less active at most of the provincial capitals.

III.

There is a common impression in this country that the United States has been far less generous or far more thrifty in its dealings with railway promoters. But this notion will not bear investigation. After 1830 the policy of the United States tended to the view that under a strict interpretation of the constitution the Federal Government could not construct the highways and make the canals for the people. The States, therefore, rushed into a vigorous policy of internal improvements, and in most cases the bankruptcy of the States resulted. Up to 1840 public sentiment favored the ownership and management of highways by Government. After 1840, we are told, "a sentiment adverse to public ownership and control grew with great rapidity."^a In the main this change of sentiment is ascribed to the failure of the policy of internal improvement by the States, and, it is fairly argued, proves nothing as to the wisdom of public operation of railways. Dr. Adams tells us that there is no means of determining the aggregate of county and municipal bonds which have been issued in favor of railway corporations in the United States. "It is known, however," he says, "that in 1870 there were outstanding, \$185,000,000 worth of such bonds. Nor is it possible to determine the proceeds of land granted to railroads directly or indirectly by the Federal Government; but it is known that two hundred and fifteen millions of acres of land were so granted, of which one hundred and fifty-three millions have been actually transferred to these

^a Dr. Adams, in introduction to State Railroad Control.

corporations. The value of subscriptions in the form of rights of way, purchase of stock (when it was known that the purchase was a gift), and the like, cannot of course be accurately estimated. Taken all together, however, the extent of such assistance rendered by the public to corporations in the building of railroads has been enormous." ^a

IV.

For example, Minnesota gave to her pioneer railway, ten sections of land to each mile of road, a loan of \$5,000,000 of State-issued bonds, immunity of its lands from taxation, and free right of way through the public lands. Then Congress turned over the swamp lands to the State, and the State turned over the lands to the railways. Individuals donated right of way through their private lands. Free station grounds in the towns, and grounds for shops were provided. Bonuses were voted by the towns and counties. According to Mr. A. B. Stickney many, and perhaps most, of the charters under which the roads were built provided that "the board of directors should have the right to regulate their tolls," and that the company should have the right "to demand and receive such sum or sums of money, for freight of persons or property, as they should from time to time think reasonable." He says :— "Construing these charter provisions as a contract with the State, the companies at first denied that they were common carriers, or subject to the duties and restrictions imposed upon such carriers by the common law. Acting upon

^a State Railroad Control, page 7.

these premises, and, as they supposed, in the interests of their companies, the managers claimed the right to charge such rates for transporting both persons and property as they deemed for the best interests of their respective companies, regardless of their reasonableness or equality. They claimed and exercised the right to grant monopolies in business to favored individuals and firms, for example, one man or firm would be granted the exclusive privilege of buying all the wheat or corn, or selling all the fuel, wood and coal; and by the exercise of their power to discriminate in regard to rates and accommodations they were enabled to enforce these grants of exclusive privileges with a certainty never before pertaining to such grants. They assumed the right to dictate to the communities in what market town they should sell their produce and buy their supplies. Thus a community located forty miles distant from St. Paul, and four hundred miles distant from Chicago, was compelled to trade in Chicago, so as to give the railway the 'long haul'; and in order to enforce this dictation they did not hesitate to make the rates for forty miles as much as or more than for four hundred. They believed they had the right so to make their schedule of rates as to determine which of the villages on their line should become centres of trade beyond their local territory. They also varied their schedules in such a way that they discriminated in regard to rates between individual merchants, manufacturers, miners and other business men, so as practically to determine which should become prosperous and wealthy and which should not. This class of discrimination was all the more pernicious

because done in secret."^a And again, "to secure the erection of elevators, which at the time seemed so important for the interests of both the companies and the people, but which in a very short time proved otherwise, the companies agreed to collect for the owner of the elevator a certain toll upon every bushel of wheat shipped at that station, even though it did not go through the elevator at all; and sometimes by agreeing to pay a rebate on all his shipments, which would be sufficient to protect him against all fluctuations in the market, and also would prevent any other buyer doing business at his station except at a loss. In order to pay such rebates and still get a fair price for hauling, it is evident that the companies had to make the open rates, which were free to all, unreasonably high."^b Out of these conditions grew the stringent elevator laws of some of the wheat growing States, the drastic and too often impracticable Granger legislation against the railways, and later the Advisory State Commission, the State Commission with Power, and the Inter-state commerce law.

V.

In Western Canada too many of the conditions against which the Western States rose in revolt have been reproduced. For example, residents at Calgary and other points east of the Rocky mountains, who require to ship to Eastern Canada or beyond, have found it profitable to ship through to Vancouver, more than six

^a A. B. Stickney, *The Railway Problem*, pages 19, 20.

^b A. B. Stickney, *The Railway Problem*, page 22.

hundred miles further west, in order to get the competing rate at that point, and thence ship the same goods back over the mountains and on to the east. Revelstoke is nearly four hundred miles east of Vancouver, but it is not unusual to have goods shipped from eastern markets sent on through to Vancouver and re-shipped back to Revelstoke. In these cases the through rate to Vancouver and the local rate back to Revelstoke seem to total less than the rate direct to Revelstoke. So the local rate to Vancouver and the through rate back to the eastern markets seem to total less than the rate from Calgary direct to the eastern centres. At least, shippers resort to these extraordinary manoeuvres, and the presumption is that they are moved by some other motive than a philanthropic desire to feed the railway. The rate on coal from Anthracite to Vancouver, in car lots in 1895 was \$5 a ton. The distance is 565 miles. Nova Scotia coal, brought from the coal beds 600 miles distant, then sold in Montreal for \$5.50 net to householders. Coal from the mines of Pennsylvania, freighted for more than 400 miles, sold in Toronto at \$4.50 to \$5 a ton ; that is, the charge for carriage over the mountain section of the Canadian Pacific, equaled the cost of mining in Pennsylvania, handling for shipment, freightage to Toronto, and retailers' profits. At Calgary 80 miles from the mines at Anthracite coal retails at \$7.25 a ton. In the fall of 1895 the rate on a carload of potatoes from Ashcroft to Vancouver, 205 miles, was \$85, or, for less than a full car, 47 cents a hundred. Potatoes then sold at railway points in western Ontario for 20 cents a bag (90 pounds), and in Toronto at 35 cents a bag retail, or

40 cents a hundred. The rate on a certain machine, manufactured at Montreal, was \$10 from the place of manufacture to Toronto; \$25 from Montreal to Australia; more than double this figure from Montreal to Victoria, B. C.; and the same charge that carried the machine from Montreal to Victoria would carry a similar machine from New York to Victoria.

VI.

Mr. James Bannerman, President of the Calgary Board of Trade, in a statement made to the Departmental Commission on Railway Rates, declared that he had information that the rate on wool from Melbourne, Australia, via Vancouver, to Montreal or Boston, was lower than the rate on wool from Calgary to Montreal; and that the freight on a carload of self-binders from Toronto was lower to Australia than to Alberta. Mr. Bannerman estimated that the rates were equal to 40 per cent. on sugar, 75 per cent. on oatmeal, 125 per cent. on apples and 300 per cent. on salt, on the cost in Ontario. He insisted that Alberta paid rates 60 per cent. higher than Manitoba, 85 per cent. higher than Minnesota, and 190 per cent. higher than Ontario. He quoted a rate of \$1.35 from Calgary to Revelstoke, 263 miles, as contrasted with 46 cents between Belleville and Forest, 258 miles. He showed that the rate on butter from Montreal to Calgary was \$3.21 per 100 pounds, and from Montreal to Vancouver \$2.89 per 100 pounds. Then, from Montreal to Nelson, B. C., the rate was \$2.95, twenty-six cents less to Nelson than to Calgary, notwithstanding that the railway had to pay the local boats and roads that carried

the goods from Revelstoke to Nelson 76 cents per 100 pounds. The rate from Calgary to Vancouver was \$1.75 a hundred, and from Winnipeg to Vancouver the same rate prevailed; that is, the charge for a haul of 1,482 miles was the same as for a haul of 642 miles. But since this, rates on butter, cheese, grain, hay, cattle, and many other articles have been reduced. According to The Calgary Herald, an industry manufacturing mainly for the eastern market was started at Calgary. It was found that freight rates were too high to allow a fair profit. The manufacturer made inquiry at Vancouver, and found rates so much lower on what he would require to import, as well as on his finished product, that he moved his plant from Calgary to Vancouver. Discrimination robbed Calgary of an industry. It was declared to be cheaper to ship stock from Edmonton by the Calgary and Edmonton branch road to Calgary and on to Langdon, 21 miles east on the main line, and drive the cattle back over the prairie to Calgary, than to ship direct from Edmonton to Calgary. A resident of Calgary, according to The Herald, wanted some fine building material that could be got only in Eastern Canada. He found that the rate to Calgary would be four cents a pound. But the rate to Vancouver was only two cents a pound, and from Vancouver to Calgary also two cents a pound. Thus, the railway would carry this building material from Montreal to Vancouver and back over the heavy mountain haul for the same charge as over the more level run from the east to Calgary. The freight rates on fruit from British Columbia into the Northwest and Manitoba have been a cause of serious complaint.

There should be a good market for the fruit of the coast in the other western Provinces. But trial shipments resulted unsatisfactorily owing to the heavy transportation charges. One shipment of plums from New Westminster netted three cents a basket. The fruit rate on car lots from points in Washington in 1895 was \$1.12½ per 100 pounds, and \$1.25 from Portland, with an additional 19 cents from California. The rate for apples was 70 or 80 cents a hundred pounds. But now the Canadian road claims to give as favorable rates and also fast freight transport, like its American competitors, and the responsibility for the comparative failure of experimental shipments is laid upon the shippers who used the express service. It was charged, too, that the British Columbia growers did not pick the fruit until it was too ripe to stand transportation, and neglected other conditions necessary to the satisfactory handling of deciduous fruits. In this case, however, we may conclude that, whether or not the complaints of British Columbian fruit-growers were well founded, the railway is now considering the needs of this industry and planning a service to meet American competitors. There seems to be no doubt that the railway can give the western Canadian market to British Columbia, and with profit to the growers, the road, and the consumers of Manitoba and of the Territories.

VII.

California roads fixed the rates on ores according to their value as determined by assay, and there are business men in British Columbia and in the other western Provinces who declare that their rates of freight are graded according to the profits they are able to make out of their enterprises, and that they work for the railway rather than for themselves. One hears few charges of discrimination between individuals, one of the most fatal of railway powers when exercised as on the American roads before the advent of the railway commissions. But, as will be seen, discrimination between localities, only less mortal than discrimination between individuals, seems to have been freely practised, the local rate was raised to the point of confiscation, and a thorough investigation would very probably show that some heavy shippers had advantageous special arrangements. It is true that the mountain section is a heavy piece of road, but an examination of the figures will show that this does not account for these remarkable discriminations. In truth, if one compares rates from Winnipeg to Vancouver with rates from Calgary to Vancouver, one would have to conclude that in cases no charge at all was made for the mountain section. In Manitoba one finds some feeling against freight rates, but this feeling is far more intense in the Territories and on the coast. The charge commonly made in British Columbia is that the Province has been farmed out to monopoly, as California was handed over, bound hand and foot, to the American Pacific roads. So the moment one sets foot in

the Territories the question of freight rates is raised, and your ears ring with the story until you reach Victoria. It would be idle to deny that heavy local charges are essential to the maintenance of the railway, but the best pen that ever served monopoly cannot justify some of the local rates that prevail in the Territories and British Columbia. Even the passenger rates are a serious hardship. In Manitoba the rate is four cents a mile, in the Northwest five cents, and there are no reduced rates for return tickets. For example, the distance from Toronto to Hamilton is 39 miles, the single fare \$1.20, and the return fare \$2; but under the rate that prevails in the Territories the single fare would be \$1.95, and the return fare just double this amount. These rates, although not higher than have prevailed under similar conditions in the United States, are bound to create a feeling of irritation and implant a sense of injustice in the minds of the western people. They are not too ready to recognize local conditions, the sparseness of population, and the importance of the factor of distance in western transportation. In Manitoba the burden bears less hardly upon the people. But here, too, there is a tendency to agitation, and a sense of hardship, doubly aggravated by the low prices for grain and other western products.

VIII.

The Manitoba Government laid a bill of grievances before the Departmental Railway Rates Commission. Here are some comparisons made in this document, showing proportionately higher rates on the Canadian Pacific :—Through grain rate, all rail, from Winnipeg to Toronto, per C. P. R., 1,288 miles, per 100 lbs., in car lots 45 cents, per bushel 27 cents; from Sarnia to Fredericton, N.B., per G.T.R., 1,217 miles, per 100 lbs., in car lots 26½ cents, per bushel 15 9-10 cents. By C. P. R., from Pilot Mound to Montreal, 1,548 miles, 47 cents per 100 lbs. and 28 1-5 cents a bushel; Brandon to Montreal, 1,556 miles, and Minnedosa to Montreal, 1,557 miles, same rate; Chicago to Fredericton, by G. T. R., Intercolonial and Canada Eastern, 1,548 miles, 35 cents per 100 lbs. and 21 cents a bushel. By C. P. R., from Boissevain to Montreal, 1,605 miles, the rate was 48 cents per 100 lbs. and 28 4-5 cents per bushel. From Melita to Montreal, 1,613 miles, 49 cents per 100 lbs. and 29 2-5 cents per bushel. By the Sault line, C. P. R. and New York Central, from Minneapolis to New York, 1,600 miles, 35 cents per 100 lbs. and 21 cents per bushel. From Winnipeg to Halifax, by C. P. R., 62½ cents per 100 lbs. and 37½ cents per bushel; from St. Paul to Halifax, via Chicago, 45 cents per 100 lbs. and 27 cents a bushel. By C. P. R., from Calgary to Port Arthur, 1,264 miles, 29 cents per 100 lbs. and 17 2-5 cents per bushel; from Winnipeg to Toronto, 1,288 miles, 45 cents per 100 lbs. and 27 cents per bushel. The low grain rate from Calgary was attributed to the fact that

little or no grain is shipped from that point. From Virden to Fort William, less than half the distance, the charge was 21 cents per 100 lbs. Freight rates on "through" merchandise, all rail, from Fort William to Winnipeg, by C. P. R., 427 miles, on the five classes of freight, were 92, 79, 65, 65 and 47 cents per 100 lbs.; from Chicago to Stratford, by Chicago & Grand Trunk, 416 miles, $42\frac{1}{2}$, $37\frac{1}{2}$, $27\frac{1}{2}$, 20 and $17\frac{1}{2}$ cents per 100 lbs. From Fort William to Carmen or Portage la Prairie, by C. P. R., 481 and 480 miles, the rates were \$1.25, \$1.05, 85, 69 and 59 cents per 100 lbs.; from Chicago to Hamilton, by Chicago & Grand Trunk, 472 miles, $42\frac{1}{2}$, $37\frac{1}{2}$, $27\frac{1}{2}$, 20 and $17\frac{1}{2}$ cents per 100 lbs. From Fort William to Boissevain, Virden and Birtle, by C. P. R., 604 to 617 miles, the rates were \$1.51, \$1.27, \$1.02, 81 and 69 cents per 100 lbs.; from Chicago to Kingston, by Chicago & Grand Trunk, 668 miles, 72, $62\frac{1}{2}$, 48, $33\frac{1}{2}$ and 29 cents per 100 lbs. The rates from Fort William to Medicine Hat by C. P. R., 1,084 miles, were \$2.42, \$2.01, \$1.61, \$1.21 and \$1.10; from Toronto to Halifax, by C. P. R. (Ontario Division), and G. T. R., 1,094 miles, 86, 75, 65, 54 and 43 cents per 100 lbs. Freight rates on "through" merchandise by lake and rail from Montreal to Fort William, 466 miles, by C. P. R. to Owen Sound and 800 miles by lake, were 51, 44, 38, 31 and 25 cents per 100 lbs.; from Fort William to Winnipeg, 427 miles, by rail, 92, 79, 65, 56 and 47 cents per 100 lbs. The rate between New York and Fort William, by Brockville or Prescott, 758 miles by rail to Owen Sound and 800 by water, was the same as that between Montreal and Fort William on classes one and two, and lower on classes three, four and five.

IX.

The report of the Departmental Railway Rates Commission is mainly devoted to an examination of through rates on staples, a comparison with rates on the Great Northern and Northern Pacific Railways that shows to the advantage of the Canadian road, and an argument, the force of which cannot be resisted, that, in view of the sparseness of population and small volume of local traffic, high rates must be charged if the road is to exist and give any return to its stockholders. But the report is a railway rather than a public document, and does not show any exhaustive consideration of the questions at issue. Here are some comparisons made by the Rates Commission, showing proportionately lower rates on the Canadian Pacific than on its American competitors under similar conditions:—The grain rate from Portage la Prairie to Fort William by C. P. R., 482 miles, was 18 cents; the same rate was charged on the G. N. R. from Neche, N.D., to Duluth, 453 miles, and from Pembina to Duluth, on the N. P. R., 377 miles. A uniform rate of 19 cents was charged from Brandon to Fort William on the C. P. R., 559 miles; from Jamestown, N.D., to Duluth, on the N. P. R., 307 miles, and from Crystal, N.D., to Duluth, on the G. N. R., 438 miles. On the C. P. R. from Deloraine to Fort William, 628 miles, the rate was 21 cents; the same rate was charged by the G. N. R. from Bottineau, N.D., to Duluth, 462 miles, while on the N. P. R., from Leeds, N.D., to Duluth, 415 miles, the rate was 22 cents. The C. P. R. rate from Morden to Fort William, 507 miles, was 18 cents, the

same as that from Dayton, N.D., to Duluth by the N. P. R., 348 miles, and from Manvel, N.D., to Duluth, 392 miles. From Boissevain to Fort William, 608 miles, and from Killarney to Fort William, 590 miles, the C. P. R. rate was 20 cents; and this rate was charged on the G. N. R. from Milton, N.D., to Duluth, 464 miles, from Michigan City, N.D., to Duluth, 432 miles, and on the N. P. R. from Sykeston, N.D., to Duluth, 363 miles, and from New Rockford, N.D., to Duluth, 366 miles. The C. P. R. rate from Gledboro' to Fort William, 531 miles, was the same as that on the G. N. R. from Edinburgh, N.D., to Duluth, 452 miles, and from Carrington, N.D., to Duluth, 350 miles. From Regina to Fort William, 782 miles, the rate by C. P. R. was 23 cents; from Minot to Duluth, 584 miles, the G. N. R. rate was 26 cents, and from Dickinson, N.D., to Duluth, 523 miles, the N. P. R. rate was 27 cents. The rates from these North Dakota points to New York, when compared with the C. P. R. rates from the Canadian points to Montreal, showed the American rates higher in amount, but a small fraction lower in proportion to distance. The same was true of the live stock rates from these points to Montreal and New York. The rate per ton for coal on the C. P. R. from Fort William to Winnipeg, 427 miles, was \$3; to Portage la Prairie, 482 miles, \$3.42, and to Brandon, 559 miles, \$3.94. This was substantially lower than the \$4 rate from Duluth to Pembina and Neche, 447 and 459 miles respectively. It compared quite as advantageously with the N. P. R. and G. N. R. rates from Duluth to other North Dakota points. The N. P. R. rate from Duluth to Billings, N.D., 892 miles,

was \$7.90 per ton, while the C. P. R. rate from Anthracite to Winnipeg, 917 miles, was \$5. The lumber rate on the C. P. R. from Rainy Portage to Winnipeg, 138 miles, was 10 cents. It compared favorably with the G. N. R. rate of 11 $\frac{1}{2}$ cents from Minneapolis to Sauk Centre, 118 miles, and the N. P. R. rate of 12 cents from Duluth to Hansen, Minn., 133 miles. The rate on agricultural implements was lower per mile on the C. P. R. than on the American lines named, but the proximity of Chicago as a distributing centre gives American farmers a greater proportionate advantage. In general merchandise C. P. R. rates to Manitoba points compared favorably with the rates on the G. N. R. and N. P. R. to points in North Dakota. Upon the whole, as respects through rates on staples, it was not established by this report that the people of Manitoba were more disadvantageously situated than the American communities across the border, but Manitoba had less cause of complaint than British Columbia and the Territories.

X.

Now, we cannot afford to forget that the Canadian Pacific Railway was a national rather than a commercial project. Under the impulse of party clamor we were stampeded into an enterprise that was well nigh beyond our strength, and upon terms that were hardly less than a criminal surrender of the future of the country to the lordship of a corporation. For the moment we may heap adjectives upon the "national highway," and rejoice in the phenomenal enterprise and magnificent resource of its management; but we may depend upon it that the judg-

ment of the next generation will be that the agreement between Canada and the Pacific Railway Syndicate was the most insane bargain ever entered into by a free people. Let us look at the facts and conditions. From Vancouver to Fort William the road runs through nearly 2,000 miles of territory, with a total population of not more than 300,000—hardly more than the population of Montreal, and with but few important business centres. Beyond Fort William, again, there are five or six hundred miles of waste on the north shore of Lake Superior. For through traffic there is the keen competition of the American roads and of the Grand Trunk. Construction on the Lake Superior and mountain sections was enormously costly, and cost of operation in the mountains is very heavy. An army of watchmen are employed, and no expense is spared to guarantee safety. Local trains are few and local traffic light, and local rates must be high if the road is to earn a living revenue. There were powerful reasons why the road should be extended through older Canada, its American connections established, and its trans-Pacific steamship service developed. No doubt vast sums of money have been put into these undertakings, but the fact to keep in mind is that the road could not live upon its local traffic, and that these extensions and developments were necessary to its success, even to its existence, as a commercial enterprise. It is more than likely that in the calmer judgment of another generation it will be conceded that the operation of this road for the first ten years of its history was a much greater achievement than its construction. But what has been the cost to Canada? First, we gave the cor-

poration \$25,000,000 and seven hundred miles of completed road, equal to \$30,000,000 or \$35,000,000 if we estimate original cost and interest. We gave \$3,000,000 or \$4,000,000 to the short line to the east, and thus deliberately depreciated our investment of \$50,000,000 in the Intercolonial. We bonused the western Ontario sections, creating an unnecessary parallel line to the Grand Trunk, reducing the value of invested capital, and making competition more costly and combination more imminent. We give an annual subsidy of \$120,000 to the China and Japan steamships. Then look at a railway map of the Northwest, and you will see that we have alienated an empire of which Sir William Van Horne and his successors will be the ruling monarchs. Their power will be limited or not according to whether the railway shall govern Parliament or Parliament govern the railway. Let us be honest, too, and confess that, notwithstanding the millions we have voted or municipal, Provincial and national bonuses in order to secure competing lines of railway, we have now only two great railway systems in Canada; that these give perhaps an active competition in service, but a very limited competition in rates, and that this condition is largely a result of the construction of the Canadian Pacific Railway according to the plans and specification of the Canadian Government.

XI.

There is bound to be combination between these great systems. It is established by a great mass of evidence that where combination is possible permanent competition is impossible. We have had the experience of the United States before our eyes, but we have not done any better than the Americans. We cannot interfere with private enterprise, but in the Northwest at least we ought to show that experience does not teach in vain, and henceforth we should resolutely refuse to vote a dollar of public money for unnecessary parallel roads, and give our thought to the regulation of rates by statute rather than by the construction of competing roads that will not compete. Manitoba paid over \$600,000 to get connection with the Northern Pacific, but the bargain was hardly completed when the Northern Pacific came to an understanding with the Canadian Pacific, with the result that, while there may be competition in service, there is very little competition in rates. In fact the Canadian Pacific now justifies existing charges by proving that they are not higher than the rates that prevail on the Northern Pacific. Many of us remember that the northern municipalities of Ontario bent their backs to heavy bonuses in aid of the Hamilton & Northwestern road in order to secure a competition that was sorely needed, and that even before trains were running over the new road it was absorbed by the old Northern. Developments of similar character are within local knowledge all over Canada. It is doubtful if even one dollar of the \$120,000,000 or \$130,000,000 voted to rail-

way corporations by the Canadian people to secure railway competition has fulfilled its purpose. Of course wide local accommodation, and in some cases competition in service, have been secured, and no one charges that these bonuses have been wholly wasted. Ely, who, by the way, is an advocate of Government ownership of railways, a solution at least far in advance of our day in Canada, and only to be resorted to in the last extremity, has an interesting calculation on the wastes of competition. "The moment," he says, "we begin reflecting upon waste in the railway business, we are able to give concrete instances running up into the hundreds of millions of dollars. The railway lines paralleling the New York Central and Hudson River Railway, and the Lake Shore & Michigan Southern from New York City to Chicago, afford one of the best known examples of waste in railway construction. These lines were built to compete with the older lines mentioned, but as is always the case in such instances, the competing lines consolidated. The purpose for which they were built was not accomplished, and the expenditure involved in their construction was a national loss. It has been estimated that these lines cost two hundred millions of dollars, which would be a sum sufficient to construct homes for one million people, if we allow a thousand dollars to a dwelling for a family of five; and this is probably more than the average cost of the houses of the people of the United States, taking city and country together. We see, then, that one single item in our count is a matter of national concern, but when we have mentioned the waste in construction we have only made a beginning in the total loss involved in the construction

of needless railway lines. The maintenance of the useless lines and their continued operation involve perpetual loss. Every station on the parallel line involves waste. Every station agent is a source of expense, and every needless train run adds to the waste. It is not denied that the parallel railway lines offer some slight accommodation, and therefore service, to the public. The new parallel line will, for example, generally run through a different part of the city, and it is not improbable that the time-table of the new parallel line will be different from that of the older company, so that in this way a variety of trains is offered. At the same time the expense is mostly waste, because a relatively small additional expenditure on the part of the old company would offer still better accommodations. What has taken place in the case of the West Shore and the Nickel Plate between New York and Chicago has occurred all over the United States; and the total loss must amount to more than a thousand millions of dollars if we consider only the first cost. If we consider the subsequent expenditure involved it becomes truly enormous—a loss like that brought upon a nation by a great war. It is said by a railway manager that even now it would involve an annual saving of two hundred millions of dollars if the railways of the United States were managed as a unit. If we divide the sum by two in order that our estimate may be a conservative one, and capitalize it at four per cent., we have a capital loss of two thousand five hundred millions of dollars. It is useless to attempt any precise estimate, but it may not be an extravagant estimate if we claim that the loss due to competition in the railway business in the United States

from the beginning of our railway history up to the present has been sufficient to furnish all the people of the United States with comfortable dwellings, provided that all the houses now in the United States should be destroyed." ^a

XII.

The Ontario & Quebec, with its extensions throughout western Ontario now forming part of the through line of the Canadian Pacific, and the Grand Trunk with its branches of the old Great Western, furnish striking evidence of waste of capital and waste of resources. It would have been better for the Grand Trunk and better for Canadian credit if we had recognized the Grand Trunk as the main railway thoroughfare for Ontario, and made it a main feature of public policy to feed rather than starve our pioneer road. It is true this was not possible with the railway experience of thirty or forty years ago. It was not then demonstrated that competing railways would not compete, the need for public regulation of common carriers was not so clearly established, it was not so plain that with two roads competing for the traffic that would barely support one rates must be raised in order to provide the revenue necessary to keep both concerns running, and popular faith in the power of a railway to create a metropolis at every cross roads was general and implicit. But it is the fact that if we had set apart the Grand Trunk as our main through line and then sent out local branches throughout the various sections of the Province under a

^a Richard T. Ely, *Socialism and Social Reform*, Pages 117, 118.

well-devised plan that would have made these local roads feeders of the main artery, we would now have a vastly more symmetrical railway system, we would not be burdened with the support of so many miles of unproductive road, and, providing there was efficient regulation of rates, the shippers, traders and farmers of Ontario would have better railway accommodation and lower railway tariffs. The time was not ripe for this reform in Ontario; but is there any reason that we should repeat in the new western territories all the follies and blunders of railway development in older Canada? Free land and lower freight charges are the crying needs of the Canadian west. If there be few people there must be little traffic, and if little traffic, high rates and rigorous regulations. We must not forget that freight rates are a form of taxation, and that if the tax-bearers be few the burden must be heavy. If we divide the traffic between competing roads the load must be heavier still; if we increase and concentrate the traffic and multiply the population we have a right to reduction of charges and improvement in service. Railway monopoly under efficient regulation will give lower freight charges than any system of unregulated competition or even a system of competition regulated by public authority.

XIII.

The case is well illustrated by the argument of an American writer on the question of Government monopolies. He says:—"The carriage of the mails is the most important monopoly carried on by the Government, and we may find some facts of interest by enquiring the reasons why it is for the public welfare that it should be so conducted rather than by private enterprise. In the first place, if it were left to private enterprise to furnish us with postal facilities, the postal service would be much more limited than now; many places of small importance being left without postal facilities or charged a much higher rate for service than now. On the other hand—and this is an important point—there would perhaps be in and between the large cities competition between different companies, in which case there would be duplicate sets of postal facilities, including buildings, mail boxes, furniture and employees of every grade. It is plain that all this would be a waste. One set of facilities is better for the public than two or three or more, and is ample to carry all the mails. To put another set of men at the work that others are already able to do is to waste just so much of the working force of the world, as well as the capital necessary to furnish tools and buildings for its use. The matter of rates too would vary with the competition. One could never be sure what his postage bill for the coming year was to be. The receipts of the companies would be uncertain, and they would be obliged to pay a high rate of interest on the capital invested in their plant, thus making it necessary for them to charge high rates for their service. The

intense competition between rival companies would lead to the bankruptcy of the weaker, and the final result would be the establishment of a single corporation in the control of the whole system. Rates would then be put up to the point where the greatest profit would accrue to the corporation."^a If we cannot have a system of Government railways, and it is clear that we cannot now undertake to buy up the railways of Canada, then we must have efficient public regulation, and the fewer through roads we have to support the lower freight charges can be made to the masses of the community.

XIV.

At most but a few railway points benefit by competition. It has been estimated that "there are in the United States about 37,000 railway stations where freight and passengers are received for transportation. From the nature of the case not more than ten per cent. of these are or can be at the junction of two or more lines of railway. (By actual count, on Jan. 1, 1887, eight per cent. of existing stations were junction points.) Therefore the shippers and buyers of goods at nine-tenths of the shipping points of the country must always be dependent on the facilities and rates offered by a single railway. Such rates of transportation as are fixed, be they high or low, must be paid, if business is carried on at all. And when we consider the ten per cent. of railway stations which are or may be junction points, we find that at least three-fourths of them are merely the junction of two lines owned by the same com-

^a C. W. Baker, C.E., *Monopolies and the People*, pages 200, 201.

pany. . . . Assuming that the total number of railway junction points in the United States is 3,000, we find, on examination, that at about two-thirds only two lines meet, and at more than half the remainder only three lines meet. It is plain that in the vast majority of cases where two roads intersect, and in many cases where three or four come together, the lines meet perhaps at right angles and diverge to entirely different localities. The shipper bringing goods to the station, then, may choose whether he will send his goods north or east perhaps; but only in a few cases where two lines run to the same point does he really have the choice of two rates for getting his produce to market. Practically, then, there are not and never can be more than a few hundred places in the country where shippers will be able to choose different routes for sending their goods to market. We say there never can be, because the building of a line of railway to parallel an existing line able to carry all the traffic is an absolute loss to the world of the capital spent in its construction, and a constant drain after it is built in the cost of its operation. This fact is now, fortunately, generally appreciated." The same writer adds :—"The consolidation of railway lines has gone on very rapidly within the past few years, and is undoubtedly destined to go much further. Of the 158,000 miles of railway in the country about eighty per cent. is included in systems 500 miles or more in extent, and a dozen corporations control nearly half of the total mileage. The benefits which the public receive from this consolidation are so vast and so necessary that, no one who is familiar with railway affairs would dream of making the suggestion that further consolidations be stopped, or that past ones be undone."^a

^a C. W. Baker, C.E., *Monopolies and the People*, pages 44-47.

XV.

So in Canada if we had a Railway Commission we would find that its effectiveness would be increased by the fact that we have practically only two great railway systems and that equality of rates would be easily established all over the country according to density of population, amount of traffic and character of products in the various sections. Canada is a country of enormous distances, of length rather than breadth, and trade between the Provinces is difficult, and transportation charges very burdensome. In these facts we have conclusive arguments against the rash multiplication of through roads and the consequent maintenance of needless transportation facilities. In truth, to construct another great through road in Canada would be very like adopting a fiscal measure imposing a tax of fifteen or twenty per cent. on all interprovincial trade. In the United States jurisdiction over the railways is divided between the State and Interstate Commissions. State Commissions have control over not more than twenty or twenty-five per cent of the traffic. The railways are so numerous and operate under such widely differing conditions that regulation of the great through lines is more difficult than it need be in Canada, and yet in the adjoining country regulation of railways by the joint operation of the State and Interstate Boards has been fairly successful at least in the communities that have had strong State Commissions.

XVI.

Just now western communities are calling for the construction of the Crow's Nest Pass Railway by an independent company in order to secure competition with the Canadian Pacific. It is, however, as sure as that the sun shines that the independent company would be forced to make a running arrangement with the Canadian Pacific or the Great Northern, that it could not know one hour of real effective independence, and when one of the great corporations had absorbed the independent link the other great corporation would seek and assuredly effect a traffic arrangement with its powerful rival. On what would we base the expectation that the Crow's Nest Pass Railway would prove to be the one competing railway on the American continent that would compete? Of what advantage even is a Government roadbed free to competing railways who will not wage, or at least will not prolong, unprofitable rate wars, if we do not provide ourselves with the machinery necessary for an effective regulation of charges and a firm control of the carrying corporations? Nothing is more unlikely than that any one of the great through roads would combine with the Government to handle the traffic of a Government road through the Crow's Nest and wage a permanent war of rates with its powerful through rivals. The roads would not fight over three thousand miles in order to get a monopoly of the traffic of three hundred miles. There can be hardly a doubt that the through systems would combine and hold the Government branch road at their mercy. It must be remembered, too, that if the Govern-

ment should construct the Crow's Nest road, and should feed its traffic to one of the American through lines, and thus divert business from the Canadian Pacific, that this would mean, necessarily and inevitably, higher local charges in the Territories and Manitoba, if not higher through rates from Eastern Canada. It may be that freight charges in the West are now excessive, but we can demand reductions in ever increasing ratio as population and traffic increase. Is it impossible to make a business arrangement with the Canadian Pacific Railway? As has been mentioned, there is a movement for the construction of a railway through the Crow's Nest Pass into the mining fields of British Columbia. There is no doubt that the Canadian Pacific authorities desire to build this road and are looking for a subsidy or a guarantee of bonds, or both, from the central Government. It is open to Parliament to say that if they are to build or operate this road, and to receive running facilities, public aid or a guarantee of securities, they must surrender the provision in their charter which forbids public control of their tariffs until their earnings reach ten per cent. on the amount invested in the railway; they must agree to fix maximum rates for the carriage of coal and ore, reduce rates for grain, cattle and other staple exports of Manitoba and the Territories, and agree to an equitable, but not necessarily proportionate, regulation of local and through tariffs.

XVII.

Then if it should be deemed in the national interest to bargain for the repurchase of any part of the railway lands as a feature of any policy of settlement and development, we could again exact concessions in rates to the settlers of the west and the shippers of the east. For expenditure on development and settlement is in direct aid of the railway, and if we repurchase railway lands we relieve the road, at least in part, of the cost of its immigration agencies and services. If it be argued that to repurchase railway lands is equivalent to fresh subsidies to a corporation that has absorbed too many millions of public money, we may set up the defence that if we believed that it was a national crime to alienate the lands of the west, it is a prime public duty to seek to undo the gigantic wrong that was perpetrated against the Canadian people. It cannot be wise public policy to adhere to a gigantic mistake, even though in finding a way out we must deal with a corporation. It is fair to remember that while the Canadian Pacific corporation received extraordinary concessions it assumed extraordinary obligations and responsibilities, and it is but just that we should loyally abide by the terms of the agreement made in behalf of the people, or bargain fairly for a modification of the more obnoxious provisions. It is fair to remember that only men of rare courage and adventurous spirit would have undertaken the construction of the Canadian trans-continental railway over the north shore route, even on the extraordinary terms sanctioned by the Canadian Parliament, and one doubts if to-day we would

take over the railway, assume its obligations, and run it as a communal enterprise. It is only with increase of population and development in the west that the extraordinary nature of our bargain with the railway will become fully manifest ; and it is now, while the bargain is onerous upon the road as well as upon the country, that we should negotiate for better terms. In the meantime the railway is serving a vast unsettled territory, and while some of its discriminations are intolerable and some of its charges extortionate, it may be that we are too ready to approach the road in the spirit of Jap Miller, one of Whitcomb Riley's heroes. Riley tells us that Jap is

Fer the pore man every time ; and in the last campaign
He stumped old Morgan County through the sunshine and the rain,
And helt the banner upwards from a-trailin' in the dust,
And cut loose on monopolies, and cuss'd, and cuss'd, and cuss'd.

It is not necessary that we should repurchase huge blocks of these railway lands in advance of settlement, but only that we should now agree upon a plan of repurchase and take over the corporation lands as required for actual settlers. It is likely that we shall have to establish a system of grouped settlements in the west ; but however that may be, if we are to support roads, schools and municipal institutions with any degree of efficiency we must break up the system of alternate blocks, get exempted lands under taxation, and relieve the settlers of the burden of paying double taxation, and giving value to lands held out of use by corporations whose only return is to harrow the people by onerous freight charges.

XVIII.

Practically the western settler gives the first day of the week to meet his taxes, the next to meet freight charges, the third to give value to exempted corporation lands, and is graciously permitted by beneficent land regulations, an indulgent corporation and a paternal Government to reserve the other three days for himself and his family. One may judge whether this leaves him in the mood for prayer or cursing on the day of rest. We in older Canada ask why it is that we have still to maintain the Northwest mounted police, a splendid force which carries into every corner of those vast territories the moral authority of British institutions, and we are told that population is so sparsely spread over such vast spaces that the police are the constabulary, the magistracy, the municipal Government of the territories, and that until population can be increased and concentrated the cost of the preservation of order and of the administration of local affairs must be largely borne by older Canada. It is of the first importance for school purposes and for municipal purposes that we should seek to concentrate settlement, and we should seek rather to concentrate in Manitoba and along the existing branch railways in the Territories than to push out new branch roads in the much used and much abused name of development. Unwise distribution of population and undue multiplication of railway equipment in proportion to population are contributory causes for the comparative failure of our western experiments. It is time now to profit by our accumulated experience in farming, ranch-

ing and dairying, our accumulated knowledge of soil and climate, of the natural temper and capabilities of various sections, and proceed up a lines of well-tried and well-ordered policy. But for years to come relief for the western population from oppressive freight charges will not be found in duplication of railways or in railway competition, but in effective public regulation of charges over the Canadian Pacific. Nor need we approach the railway in any hostile spirit. We cannot help Canada nor Canadian credit by weakening our great transportation enterprises. We should, until such time as we can consider the final policy of public operation, seek rather to effect a business partnership with the railways, make the public interest and the railway interest synonymous, and embody in our public policy the lesson of half a century of costly experience, that where combination is possible enduring competition is impossible, and that low rates and efficient service cannot be secured by ill-advised division of traffic and rash multiplication of the number of public carriers.

XIX.

We must all admit that there is prestige in the "national highway," to use the language of its panegyrists, that the road was rapidly and substantially constructed, and is splendidly equipped. There is first-rate business capacity manifested in every detail of the management. The roadbed is well maintained and the rolling stock is adequate even for an exceptionally heavy grain season. But in order to the proper maintenance of this service high local rates and a heavy through

traffic are necessary, and there is no doubt this through traffic has been secured at the cost of direct discrimination against the Canadian people who were taxed for the road's creation, and are taxed for its support. Fond as we are of national heroics, everywhere that one goes in the west one hears the admission, often in very unexpected quarters, that "Mackenzie was right." By rushing the construction of the road in order to fulfil the conditions of a prodigal political bargain, we ran a thin line of settlement all across the west, and set a new population to the work of experimenting over far-reaching and far-differing conditions of soil and climate. At the same time we recklessly and enormously increased the national obligations. What have we got for it all? Frankly, now, would not the national position to-day be much better if we had adhered to the Mackenzie policy; if we had first devoted ourselves to the construction of branch lines in Manitoba, encouraged compactness of settlement, and confined the experimental work of the agriculturist to a more limited territory? We would have heard less of failure, we would have had fewer pretentious ventures, and fewer damaging collapses through ignorance of conditions; the great boom of 1882 would not have been precipitated with such tremendous impetus and such disastrous consequences. If we had carried settlement along with the road we would have had lower freight rates, because we would not have had to meet such enormous expenditures for construction, and we would have had a less burdened, a more compact and a more contented population. A more contented population would have drawn a steadier

and healthier immigration, and the whole position from the national standpoint would have been improved. In a speech made fifteen years ago Mr. Blake said :—"Complete the railway to Red River ; go on with the prairie section as fast as settlement demands. For that risk something, since, as I have said, the die is cast. But in order to succeed in that, in order that you may have a chance later to do more, deal with that alone now. Bend to that great effort your undivided energies, your whole available resources. Postpone, meanwhile, the western work, and do not by your present action, based on airy dreams and vain imaginations, risk the ruin of your country." In that speech there was real patriotism, but neither Parliament nor the people were in the mood to hear the truth.

XX.

It was, perhaps, not unreasonable that British Columbia should demand the fulfilment of terms that were freely offered. But British Columbia would have come into the Confederation on far less onerous conditions than were so thoughtlessly and recklessly accepted, and we could have shown the Pacific Province that a road constructed at such enormous cost through an unpeopled territory would be bound to impose very onerous charges upon its constituency. The route of the through line was changed by the Government and the syndicate, and here again time has justified the old Liberal Minister, and the unanimous voice of the west is that "Mackenzie was right." In fact, the demand of the west to-day is for railway extension over the old Mackenzie survey, and the Canadian Pacific management

has taken the precaution of getting control of the Mackenzie route over the mountains. His successors seem just to have learned what Mr. Mackenzie mastered a score of years ago, and nowhere can one get more satisfactory evidence of the marvellous grasp and phenomenal industry of Alexander Mackenzie than by a study of conditions as they have developed in western Canada. If I am not mistaken, even the Canadian Pacific Railway management is now leaning toward the old Mackenzie policy, and is convinced of the wisdom of compact settlement and the development of Manitoba rather than of the remoter sections of the country. It is needless to emphasize the tremendous folly of yielding up such an enormous landed estate in order to secure rapid construction of the railway. Let no one doubt that there is a magnificent future for western Canada. A prosperous population will spread over these plains—we seem now to see the bow of promise more clearly than ever before—and every settler who sets foot upon this soil will enhance the value of the railway's possessions, and force us, if our people are to compete with the world on equal terms, to regain possession of the magnificent estate we have thrown away.

XXI.

Legislation for the regulation of railways does not mean that we should pauperize the roads or deprive them of a living revenue. The experience of the American States proves that the people have a sensitive regard for fair dealing, a wholesome respect for obligations, and will not do deliberate injustice to their carrying corporations. Even the Granger laws, passed during a season

when the popular feeling was well illustrated by the utterance of the Governor of a western State, who declared that his party would "shake the railways over hell," while unwisely vexatious and arbitrary did not put rates down as low as the average of the rates fixed by the railway managers. But these laws did attack gross discriminations between individuals and between localities, and effectually initiate the work of equalization that has been since carried on by the State and Interstate Commissions. In the judgment of very many railway reformers the National Commission has been far too partial to the roads, or at any rate is not quite equal to the performance of its onerous functions. But it was right that the Commission should be scrupulously just to the railways, recognize inequality of routes, conditions of competition and values of local traffic. A body like this Commission called on to pass judgment on conditions in Canada would surely decide that in the Northwest local rates could not yet be proportioned to through rates. Inequalities and discriminations in local rates could be adjusted and remedied; but, pending an increase of population and a resulting development of local trade, we would have to allow a generous margin in competition for through traffic. But this can be only a temporary concession to meet the exceptional conditions of the west. Neither Canada nor any other democratic community can afford to be governed by its corporations, and we should at once set ourselves to devising means for regulating local rates, preventing discriminations between individuals and localities, and abolishing favoritism to American ports and American communities by Canadian railways at the expense of the Canadian people.

XXII.

Cook, in his "Corporation Problem," dealing with the experience of the United States, tells us that:—"The early railroad builder, promoter and manipulator was as crafty and many-sided in his methods as Ulysses himself. He was skilled in the art of issuing watered stock and bonds. By devices well known to the corporation lawyer, he generally managed, if his road actually cost \$1,000,000, to issue \$2,000,000 of stock and \$2,000,000 of railroad bonds secured by a mortgage on the road itself. He accordingly had \$4,000,000 of stock and bonds, and of this \$3,000,000 was pure 'water.' In the course of time these bonds and stock were sold. They passed into bona-fide hands. The result was that a railroad costing \$1,000,000, part of which was raised by municipal bonds given to the railroad itself, had obligations outstanding for \$4,000,000, upon which it endeavored to pay interest and dividends. Even though a foreclosure took place, the new issue of stock and bonds was equal to or greater than that existing before. Exorbitant rates for transportation were necessary in order to pay the interest alone, and generally for many years there was nothing for dividends on the watered stock."^a Hudson deals with the same subject in his "Railways and the Republic." "The New York Central & Hudson River Railroad," he says, "has a capital stock of \$89,428,300 and a debt of \$56,497,223, making, with mortgages of \$109,320 upon its real estate, an aggregate capitalization of \$146,034,853. The fictitious securities included in

^a W. W. Cook, The Corporation Problem, Page 14.

this total, as was shown by the New York legislative investigating committee in 1880, amount to a large percentage of the whole, and there is no more conspicuous example of capital inflated by stock dividends under the pretence of consolidation. The stocks of the several roads which were united to form the New York Central were increased in the consolidation by \$8,894,560, or more than one-third their original capitalization, which the legislative committee declares to have been 'so much water or fictitious capital added to the road'; but this is reduced to commonplace by contrast with the magnificent creation of financial values by the printing press when the consolidation of the New York Central and Hudson River Railroads took place in 1869, and the capitalization of \$90,000,000 was effected, which, as the Secretary of that corporation testified before the committee, was 'about twice the original capital of the two companies.' The fictitious addition is stated by the committee to reach \$53,507,060, which, considering that the \$8,894,000 of fictitious capital in the New York Central underwent the subsequent inflation of 27 per cent. on the second consolidation, is about \$2,000,000 within the mark. Without inquiring into the legitimacy of an increase of nearly \$17,000,000, which has taken place in the capitalization of this company since the investigation by the legislative committee, it appears from the figures of the committee that of the total capital of the New York Central & Hudson River Railroad, including stock and bonds, 36 per cent. is 'water,' while of the stock whose profits are under discussion the fictitious addition is 59 per cent. of its present total, or about 145 per cent.

on the original investment. This remarkable manufacture of capital is rivalled, if not surpassed, in the well-known history of the Erie Railway. It is sufficient for the present purpose to cite the conclusion of the New York Legislative Committee from the testimony of experts, that the property of the company, capitalized at \$155,000,000, could be replaced for \$65,000,000, that the most moderate estimate of the actual 'water' in its securities was \$53,163,881, not including a loss of \$10,800,000 by discounts in the sale of \$25,000,000 in bonds. The capital stock of the company is \$85,000,000, representing, according to this most moderate view, \$22,000,000 of actual investment ; while others estimate that the bonded securities of the company alone represent the entire amount invested in the property and \$10,000,000 more ; so that the entire share capital and part of the bonds are a stupendous mixture of wind and water." Hudson adds that :—"A still more notorious and flagrant example of stock inflation is that of the Pacific railroads. The public are familiar with the record of this creation of stupendous wealth out of a loan of a Government subsidy and the gift of an empire in land. The story of the Construction Company, the 'Credit Mobilier,' upon whose stock, the investment in which was nominal, the greater portion of the shares and debt of the Union Pacific Railway was distributed as dividends, is part of the record of national politics. It is also well known how the Central Pacific Railway was built. A company of capitalists, whose resources at the beginning of the enterprise were \$195,000, with the aid of loans from the City of Sacramento and Placer County to the

extent of \$550,000, built enough road to draw \$848,000 from the United States Treasury as the subsidy for the first section, and by repeating the process constructed the entire road. The majority of the Pacific Railway Commission estimate the cost of the Union Pacific at \$50,720,000, against a capitalization of \$109,000,000, and the cost of the Central Pacific at \$58,000,000, against a total capitalization of \$124,000,000, showing in each case that all the stock and a portion of the bonds are pure water. The minority report makes the cost of the Union Pacific \$38,824,000, and of the Central Pacific \$40,000,000, or less than one-third of the capitalization. It is well known that of this capitalization the stock does not represent a dollar of actual investment, that a large portion of the debt was pocketed by the constructors of the road in the shape of contracts which they made with themselves to build the tracks at two or three times the legitimate cost; that the road was almost, if not wholly, paid for by the Government subsidy; and that of the \$256,000,000 of additional stock and bonds issued upon the properties an estimate that one-third represents invested cash will be too liberal."^a In street railways the figures are even more startling than in steam roads. It is estimated that the capital stock and funded debt of these railways amount to \$95,000 per mile, against \$48,000 per mile of track for steam roads, which have to do grading and bridging, and provide station buildings, signalling apparatus, air brakes, sleeping and dining cars, freight equipment and costly locomotives.

^a J. F. Hudson, *The Railways and The Republic*, Pages 269-270, 274-276.

XXIII.

This reckless inflation of railway capital by manipulation of contracts, trafficking in bonds, and introduction of wind and water makes any general classification of rates exceedingly difficult, and has immensely complicated the work of the Interstate Commission. In one of its decisions the commission points out that:—"The Chicago, Santa Fe & California and the Chicago and Alton roads run side by side between Chicago and Kansas City. The Alton is capitalized at \$46,000 per mile and the Santa Fe at \$92,000. Their rates must necessarily be the same; must they be such as to yield income on the basis of the Alton's capital and obligations, or on the capital and obligations of the Santa Fe, which are double as much? The bonded debt and capital of the Burlington & Missouri River in Nebraska is \$37,000 per mile, and of the Tremont, Elkhorn & Missouri Valley 6,000. They parallel on either side of the Union Pacific capitalized at \$105,000 per mile. The bonded debt of the Union Pacific per mile is \$71,840, and is nearly double both bonded debt and capital stock of either of the other two roads. The three must of necessity carry on the same terms. The bonded debt, saying nothing of the capital stock, of the Union Pacific is double its original cost, or the cost of replacing it with its \$17,000,000 terminals. . . . The New York, Lake Erie & Western, with a bonded debt of more than \$132,000 per mile, could make rates on the same basis with the Chicago & Northwestern, or the Chicago, Burlington & Quincy, with funded debts but slightly exceeding \$20,000 per mile for one and

\$24,000 for the other. The funded debt of the Illinois Central but little exceeds \$23,000 per mile, and the Chicago, Rock Island & Pacific less than \$16,000. That of the New York Central is \$85,000. Their reported tonnage cost and capitalization are nearly in like proportion. The reported cost of service was less on the Illinois Central and more on the Rock Island than on the New York Central." But the body of the grievance is that the people, except under some arbitrary regulation of rates, pay charges upon much of this wind and water, and that by the laxity of our railway legislation we deliberately encourage reckless speculative financing and criminal waste of capital. In this, as in every other unwholesome development in the field of transportation, we have followed very closely at the heels of the United States. We are behind only in remedial measures. In the history of Canadian railways we have had resort to every doubtful expedient and every species of railway financing from the construction company to payment of dividends out of capital. After the first Canadian Pacific stock issue of \$5,000,000 there was an issue of \$20,000,000 at 25 per cent., which of course only realized \$5,000,000 cash. The five per cent. dividends paid on this would be in reality 20 per cent. on actual investments. After this \$40,000,000 stock was issued at 52½ per cent., which consequently realized \$21,000,000. The dividend of 5 per cent. on this stock was equal to 9½ per cent. on the money invested. Upon all this stock the Canadian people will be expected to pay interest at par value and these issues were made with the sanction and authority of the Canadian Parliament.

XXIV.

The Manitoba & Northwestern road, in the hands of a receiver, is bonded for \$22,000 a mile, but could have been built for \$12,000 or \$15,000 a mile, even at the higher prices for railway material which prevailed a few years ago. It is likely that the road will soon earn a satisfactory dividend even upon \$22,000 a mile, but if it were necessary to pay only upon the actual cost, the road would be a splendid-revenue-earning property with much lower freight charges than are possible under the conditions that have been created. The Northwest Central has a miserable history of political financing and exhausting litigation. We all know the origin of this project. We all know that it was bred in politics and not in business. The road is now before the courts, and it may be well to leave the facts until they can be reviewed in the light of the final judgment. But the block consequent upon the prolonged litigation has deprived this section of the west of railway facilities that the people had a right to expect, and caused serious inconvenience and hardship to many settlers who were led to locate on the line of the road on the expectation of its early extension and completion. There is a real touch of pathos in one of the minor chapters in the story of this project. Schiller, contractor under Charlebois, in easy circumstances before he adventured into this ill-fated enterprise, is now foreman of the road gang on the railway he constructed, doing the work of a day laborer under the orders of the receiver, keeping his family in very humble quarters at Brandon, and waiting with pathetic patience

for the close of the interminable litigation and the settlement of his claim for construction. If an end of the litigation can be reached and over-stocking and over-bonding guarded against, and the line extended on business principles, the Northwest Central should yet prove a good property. Now a tri-weekly service is provided under the management of the receiver, and it is understood the revenue more than covers the expenditure. The history of the Qu'Appelle, Long Lake & Saskatchewan Railway is faithful to the details of American railway methods. More than \$3,500,000 was received from the sale of bonds. The road cost for construction and commissions and disbursements in connection with the sale of bonds probably \$2,500,000. Rolling stock and terminus were supplied by the Canadian Pacific. The road received also a land grant of 1,400,000 acres and a cash subsidy of \$80,000 a year. It was leased for six years to the Canadian Pacific, without rental, and this lease has just been renewed. But the original promoters got a million or two out of the speculation.

XXV.

The Calgary & Edmonton Railway Company was incorporated in 1890. The length of the road as projected is 340 miles, of which 295 miles has been constructed. The promoters received the usual land grant of 6,400 acres per mile, and mail subsidy of \$80,000. The subsidy is to be paid direct to the London agents as trustees for the bondholders. The bonding powers given to the company were to the amount of \$25,000 per mile. With this the enterprise was launched. Almost immediately

the road passed under the operation of the Canadian Pacific Railway Company. Many of its promoters and contractors were closely identified with that company. At the session of Parliament of 1891 the Canadian Pacific obtained permission to issue its own 4 per cent. consolidated debenture stock to the amount of \$20,000 per mile of the Calgary & Edmonton Railway. This was stated to be for the purpose of "satisfying or acquiring obligations entered into in respect of the acquisition, construction, completion or equipment of the Calgary & Edmonton Railway." The 295 miles of the road were opened in October, 1892, the Canadian Pacific agreeing to operate it for the first five years, furnish the rolling stock and retain all income other than the subsidy. To estimate correctly the resources which from various channels have been provided for the construction and operation of this 295 miles of prairie road is scarcely possible upon the information available. But a more or less close approximation may be calculated from the above facts. Railways sometimes calculate their land grant upon a basis of three dollars an acre. The Calgary & Edmonton Company will not say that half that figure is an excessive basis. That gives \$2,832,000 under that head. To this amount must be added the road's bonded indebtedness, consisting of \$5,458,940 first mortgage 6 per cent. 20-year bonds. It may be that these bonds were subjected to a discount, but the measure of guarantee which was given them by means of the mail subsidy no doubt materially strengthened them. Roughly speaking, therefore, and leaving out of the addition the mail subsidies, the promoters raised

upon the road in bonds and land the amount of \$28,000 a mile. The cost of the road, according to the company's own figures, has been \$3,717,882, or \$13,000 a mile. Actually, however, the construction probably did not cost more than \$7,000 a mile. The roadbed is now in very poor condition. At this rate the total cost was \$2,065,000. Over against this is a bonded debt of five and a half millions and the 1,888,000 acres of land grant. In view of all these facts we should make it an inflexible feature of our future railway policy, that we shall not vote public money for the construction of parallel roads, that we shall rigidly limit issues of stock and capital, and force railway construction and railway operation down to business principles. It is time we learned something from a very instructive experience. The American people have awakened to the importance of this problem, and it is time we, too, gave it very serious attention. All these carrying corporations are the offspring of Parliament, the holders of public franchises, and their right of taxation ought to be limited to a reasonable profit on a reasonable investment, although we may not violate solemn bargains nor unload even upon corporations that we have unwisely created, the consequences of our own folly.

XXVI.

Perhaps the best of the American State Railway Commissions is that of Iowa, and an examination of its provisions and the results of its operations will be instructive. Iowa was one of the first communities in the United States to rise against railway aggression. It was a nursery of the Granger movement, and mainly as a result of the farmers' agitation the State Legislature in 1874 passed an Act to Establish Reasonable Maximum Rates of Charges for the Transportation of Freight and Passengers on the Different Railroads of the State. This measure classified railroads according to their gross earnings per mile within the State for the preceding year. Class "A" included all railroads whose gross earnings per mile were \$4,000 or more; Class "B," \$3,000 or any sum less than \$4,000; Class "C," less than \$3,000. In passenger transportation, roads in Class "A" were allowed to charge three cents per mile, Class "B," three and one-half cents, and Class "C," four cents. A carefully detailed schedule of rates was prepared for transporting freights, goods, and merchandise for every mile from one up to three hundred and seventy-six, followed by a classification of goods. Railroads in Class "A" could charge no more than ninety per cent. of the scheduled rates; railroads in Class "B" could charge five per cent., and in Class "C" twenty per cent. in addition to scheduled rates. To assist in the classification of roads, each corporation was required under penalty to return to the governor annually a statement of its gross receipts upon the entire road within the State.

A copy of the rate was required to be kept posted for public inspection, and there were rigid provisions against discriminations. But there were exhausting contests over questions of jurisdiction, and the authority of the State to enact such legislation ; the railways fought persistently and stubbornly to damage the law in public estimation, the penalties imposed were not enforced and at length the law was repealed.

XXVII.

The maximum Rate Law was followed by the Advisory Commission. This law established a Board of Railway Commissioners. Three commissioners were to be appointed by the Governor with the advice of the Executive Council to hold office for three years and one of whom should be a civil engineer. It was provided that they should not be pecuniarily interested in any railway and they were chosen from the eastern, central and western portions of the State. They had the power to investigate and report but they had no power to enforce their decrees. Violations of the order of the commission were to be reported to the legislature and the law relied upon the element of publicity to make the recommendations of the commission effective. The operation of this law gives astonishing evidence of the power of public opinion in a democratic community. As a rule the railways dare not or at least did not resist the orders of the commission. In the main the Board guarded its powers jealously, and asserted its authority fearlessly and as a consequence a marked improvement was effected

in the relations between the railways and the people, the growth of local industries was powerfully promoted, and a more satisfactory condition of business stability was established. But it was argued that the Board had not the necessary power to prevent discriminations, that many of its decisions were observed by the railways because they covered only minor complaints and that in dealing with questions of the first importance the Board could not be effective because it had not power to enforce its decrees and therefore these greater questions were not even submitted to the Board for judgment. And so came the agitation for the Commission with Power and this time the demand came from the manufacturers and jobbers, who argued that the industries of Iowa were seriously discriminated against by the low through rates granted to eastern jobbers and manufacturers. As a result the legislature in 1888 adopted an Act to regulate Railroad Corporations and other Common Carriers in the State and to increase the powers and further define the duties of the Board of Railroad Commissioners in relation to the same, and to prevent and punish extortion and unjust discrimination in the rates charged for the transportation of passengers and freights on railroads in Iowa.

XXVIII.

The salient features of the law are thus presented by Dr. Dixon in his admirable work on State Railroad Control. "The law applied to all common carriers engaged in transportation by railroad within the State, the term 'railroad' to include all bridges and ferries used in connection, and also any road operated or owned under contract, agreement or lease. All charges must be reasonable and just, and unreasonable charges were prohibited. Special rebates and drawbacks were prohibited, but this did not prevent the charging of a less rate per 100 lbs. in car-loads than was charged for freight in less than car-load lots. It was declared unlawful to give any preference to any particular person or locality. The companies were required to furnish facilities for the exchange of freight and passengers between their lines, and to switch and transfer cars for loading or unloading at the direction of the Board. It was declared unlawful to charge any greater compensation in the aggregate for the transportation of passengers or property for a shorter than for a longer distance, all or any portion of the shorter haul being included within the longer. Pooling of all kinds was prohibited. Every common carrier was required to keep posted schedules of its charges, copies of which, together with all joint agreements of other roads, were to be placed in the hands of the Board, ten days' public notice to precede an advance in rates. Failure to publish rates was an offence cognizable in the District Court, and rendered the company liable to a fine of \$500 for each day's

failure to comply. The breaking of a continuous carriage of freight was unlawful, unless necessary. Any person injured might complain to the Board, or bring suit in court, but could not pursue both remedies in the same case. The court might compel any officer of a corporation to testify, or to produce books and papers, the claim that the matter presented might tend to incriminate him not being sufficient excuse for not testifying ; but such evidence should not be used against such person in any way on the trial of any criminal proceeding. Penalties were prescribed for violations of the Act. The Board was empowered to enquire into the management of the business of all common carriers, with the power to require the papers and books of the companies, and to compel testimony. Any person, firm, corporation, or association might make complaint of failure to perform duties by railroad companies, which should be investigated ; and no complaint should at any time be dismissed because of the absence of direct damage to the complainant. The Board was directed to make a schedule and classification of reasonable maximum rates, such schedule to be *prima facie* evidence in court that the rates were reasonable. Hearing should be given upon complaints as to the reasonableness of rates, the lowest rates charged by any railroad company for substantially the same kind of service being accepted as *prima facie* evidence of a reasonable rate for the services under investigation, the operations of the railroad in question outside the State, or in interstate commerce, and the charges therefor, being taken into account in determining the reasonableness of the rate complained

of. The Commissioners might add to the showing any information they might then have, or could secure from any source whatsoever. The rate per 100 lbs. should be the same for all classes of freight, for like distances, to all persons shipping in less than car-load lots, and the rate per 100 lbs. for all shippers in car-load lots should be the same for same distances with the same class of freight. Penalties were prescribed for extortion, unjust discrimination as to rates, classifications and the use of cars. Exceptions to the law were made in the case of the United States or State governments, charitable institutions, State fair exhibits, employees and their families, ministers of religion, and persons in charge of live stock. The issuance of mileage and excursion tickets was permitted, as well as the exchange of courtesies between roads. The Railroad Commissioners and secretary, and other agents whose services they might require, were given free transportation. The methods of procedure to be followed by the Board in cases arising under the Act were three in number. The first method was followed in case of civil suit for damages sustained by an individual at the hands of railroads. In such case persons injured might make complaint to the Commissioners, or bring suit for the recovery of damages in any court of competent jurisdiction; but both methods could not be resorted to. A common carrier, violating the provisions of the Act, was liable to the person injured for three times the amount of damages sustained, with costs and reasonable attorney's fees; but written demand on the common carrier for the damages should be made before suit was

brought. The court was empowered to summon witnesses, and order the production of books and papers. The second method of procedure related to proceedings in equity. The first case under this method arose when a carrier refused to publish its schedule of rates as provided for in Sect. 7, in which case a writ of mandamus was issued by the District Court upon the petition, without bond, of the Commissioners, failure to comply with the writ being punishable as contempt. The second case arose during an investigation by the Commission, upon refusal to obey a subpoena, or other proper process, by a carrier. In such case any court of the State within the jurisdiction might issue an order requiring attendance and the production of papers, refusal to obey being punishable as contempt. The third case under the method of equitable procedure is to be found in Sects. 13, 14, 15 and 16 of the Act. Sect. 13 provides that any person or association may enter complaint with the Board of Commissioners. The Commissioners shall forward the complaint to the carrier complained of. If the carrier does not satisfy the complainant within a reasonable time, an investigation is to be made by the Board. Sect. 14 provides that the result of the investigation shall be drawn up in writing, and forwarded to the complainant and the carrier complained of, the report to be *prima facie* evidence in court of the facts found. Sect. 15 provides that in case the Commissioners are satisfied that anything is being done in violation of the law by the common carrier, a copy of their report is to be furnished the carrier, with a notice to desist from such violation. By the terms of Sect. 16, in case

the carrier refuses or neglects to obey the order, the Commissioners are directed to apply in a summary way by petition to the District or Superior Court of the county; and the Court may hear the complaint upon short notice without the formal pleadings applicable to ordinary suits in equity, and may direct such persons to appear as are necessary to a full hearing of the case, the report of the Commissioners to be *prima facie* evidence of the matter stated by them. If the petition of the Commissioners is sustained, the Court may issue a writ of injunction, to be followed, if necessary, by writs of attachment, a fine of one thousand dollars being levied for each day that the carrier shall fail to obey the injunction. The usual right of appeal to the Supreme Court is retained, 'but no appeal to the Supreme Court shall operate to stay or supersede the order of the Court or the execution of any writ or process thereon; and such Court may in every such matter order the payment of such costs and attorney and counsel fee as shall be deemed reasonable.' The third method of procedure related to criminal proceedings in cases of direct violations of law by the carriers. Here the Board was directed to institute suit on behalf of the State against the carriers in any court of competent jurisdiction for the collection of the penalties imposed by the Act, the Attorney-General conducting the suit, and the court being empowered in its discretion to give such suits preference over all business except criminal cases. Such fines might be imposed in a criminal prosecution by indictment, or in a civil action by ordinary proceeding instituted in the name of the State of Iowa. In all cases

not otherwise particularly prescribed by law, the Board might conduct its cases in such manner as would best conduce to the proper despatch of business and to the ends of justice. The Board was given power to amend its order of proceedings and notices with the limitation that they should conform as nearly as possible to those in use in the courts of the State. Any party might appear before the Board in person or by attorney, and every Commissioner should have the right to administer oaths and affirmations in any proceeding pending before the Board. Chapter 29 changed the manner of choosing railroad Commissioners from appointment by the Governor, with the advice and consent of the Executive Council, to election by the citizens of the State. No person in any way pecuniarily interested in a railroad company was eligible. Vacancies were filled through appointment by the Governor. This last chapter was adopted in face of the opposition of those who feared that the election of Commissioners by the people would give the railroads the opportunity long sought for, of entering directly and effectively into politics. Later developments have proved that these fears were not unfounded." ^a

^a Frank H. Dixon, *State Railroad Control*, pages 140 to 146.

XXIX.

Great and arbitrary powers have been exercised under this law and to the great advantage of Iowa. The first duty of the Board was to establish a schedule of maximum rates and arrange a classification, and the Commission accepted as the basis of the new schedule the rates under which the railways had been running. The Board reduced the through rates which gave the eastern jobber and manufacturer an advantage over local jobbers and manufacturers, and this led to a marked development of the industries of Iowa. In Canada, notwithstanding that we have put millions of public money into our railways, we tolerate discriminations in favor of American shippers that operate very seriously against Canadian industries. It is, perhaps, not too much to say that in many cases the advantage of our tariff duties is fully offset by the lower rates given to American shippers. On the one hand we are building up home industries by tariff taxation on our own people, and on the other hand our own railways, built largely with public money, are bringing in American goods at such low rates of freight that the foreign manufacturer, notwithstanding our protective duties, is able to swamp the home manufacturer in his own market. The question is one of tremendous importance and should receive the early and thorough consideration of the Parliament of Canada. We are all glad to see the Canadian railways carrying American goods and admit that they must compete for through traffic at through rates, but there is a limit beyond which the position of the Canadian manufacturer and

shipper cannot be prejudiced, and it is doubtful if we can afford to have the through rate for American goods lower than the through all Canadian charge. For example, if the Grand Trunk or the Canadian Pacific gives a lower rate to a Detroit shipper than to a Windsor shipper the tendency is to build up an industry at Detroit rather than at Windsor, and if the Canadian railways give a lower through rate to New York, Portland or Boston than to Montreal, St. John or Halifax, the result must be to build up American ports at the expense of Canadian ports and that with the direct aid of Canadian subsidized railways. Dr. Dixon says that: "The great benefit to Iowa" from the operation of the Railway Commission "has been found in the development of home industry. New coal mines have been opened, new mills and manufacturing concerns erected, the jobbing business has extensively increased. Products are now exchanged much more largely between sections of the State than before, and people no longer look outside the State to find both a purchasing and a selling market."^a And the Commission in its report of 1891 said: "The farmer gets his supplies cheaper, his lumber, coal, salt, and other heavy commodities, at fair rates. He finds a market for a portion of his surplus corn, oats, hay, wood, timber, etc., at home, and saves transportation. He markets many of his hogs in Iowa packing-houses, and saves freight charges. Wood and logs, that lay in the timber rotting, the Iowa rates are making a market for; and new mills are sawing the latter up for use in excelsior, fencing-pickets, handles, boxes, and other industries

^a Frank H. Dixon, State Railroad Control, page 195.

unknown before. The railway policy of the long haul has, in a measure, been supplanted by the new system, and an exchange of products between different parts of the State is one of the commendable results. Hay and corn from northern Iowa are now sold at better prices in the dairy counties of eastern and southern Iowa in large quantities, a thing hitherto unknown. These formerly paid tribute to Chicago." So we would probably find that lower and fairer local rates in Canada would greatly facilitate home trade, and give new life to many Canadian industries that are now paralysed by American competition and which competition is made effective by discriminatory railway charges.

XXX.

The Iowa Board compels the railways to give adequate service on branch lines. It is held that lateral lines are profitable as feeders even if operated at a loss in themselves. They are mostly built with local aid, they occupy territory and shut out competition and therefore must be operated. For example there was a recent outcry on the Wellington, Grey and Bruce branches of the Grand Trunk against a serious reduction of service by the new management. These branches received large municipal aid, they were built as independent lines and later absorbed by the Grand Trunk and it would be intolerable if these communities should now be denied a reasonable service. A Board of Railway Commissioners could compel this reasonable service and could also take cognizance of a complaint like that made the other day

by The Prince Albert Advocate. The paper says: "The management of the Prince Albert branch of the Canadian Pacific Railroad seem to conduct their business on the penny wise and pound foolish plan. While they charge us the highest rates charged on any road in Canada they give us the worst possible service. During the last two or three years they have done away with section men on this road and as a result the train is delayed by the excessive growth of weeds on the road bed in the summer time and by the drifting snow in the winter. This winter the snow fall has been heavier than usual, and the train has been making about as good time as the ox teams of the freighters. Passengers have been kept four or five days on the trip from Prince Albert to Regina which should not take more than ten hours, though the schedule time is fourteen hours, and have been subjected to great hardships through cold and the want of proper food. It is disgraceful that such a state of things exists on a railroad which is receiving a subsidy of \$80,000 a year from the government, especially when at a very small expenditure a few fences could be erected along the road in the open prairie where the wind fills the cuttings with snow, and by the employment of the usual section men who could easily keep the remainder of the track clear."

XXXI.

In many cases the Iowa Board has compelled the erection of new stations. It has taken jurisdiction over farm crossings and in many cases ordered the railways to put in under-track crossings. We may say that this work is done by our Railway Committee but the com-

missioner can go to the crossing while the farmer can go to the Railway Committee much less easily and much less cheaply. The Iowa Board ordered a railway to allow the Farmer's Alliance to erect a coalhouse on its station grounds notwithstanding the railway's plea that the Alliance intended to sell coal at cost and so would drive other dealers out of the business. The Board held that "the refusal to grant to the Farmers' Alliance a site on its side-track for a coal-house, after granting similar facilities to other parties, was contrary to the decisions of the court, a violation of the statute, an unjust discrimination against complainants and against public policy." The Board held again that "a railroad company dealing in coal cannot exclude private dealers, but must furnish them with storage facilities and shipping privileges. It cannot neglect its duty as a common carrier because it has engaged in private business." Dealing with a complaint that a railway had entered into an agreement to give special rates to grain buyers who had elevator facilities the Advisory Commission recommended "that like charges be made when not less than full car-load lots are offered at the same station, and if any concessions or drawbacks be given, they should be open to all shippers offering freight of the same kind, in the same class, in the same line of business." In condemning a discriminatory agreement for supply of cars to a particular coal company the Commission made this deliverance: "Whenever able to do so, every railroad company should have cars sufficient for the transaction of the ordinary business of the road. If at certain seasons of the year there is, as in the coal-trade, a great demand for cars of a certain

character, it is the duty of the railroad company to have a sufficient number of cars to supply the ordinary demand. . . . An extraordinary demand at stations and by shippers resulting from a periodical influx of business should be met by a *pro rata* distribution of cars, and this should be made both as to stations and shippers."

XXXII.

The Commission ordered the operation of a piece of road that had been abandoned. The Board held that a railway company could not be required to furnish cars for the transportation of freight off from its own line as the result would be to scatter the cars of any one road along connecting roads and so place the company at the mercy of competing lines. The Board settled many claims for damages and in the main its judgments were accepted. In one case the complainants charged that an amount of butter which was hauled to the railway station, and by reason of the non-arrival of the refrigerator car at the advertised time, was exposed to the heat, had melted, and consequently deteriorated in value, and the Board awarded damages on the ground that the railroad, having encouraged the growth of dairy interests through the offer of special privileges, was bound to make the service reliable. The publication of time tables is of great public advantage for in secrecy of rates is the very stronghold of favoritism, discriminations, and all manner of injustice. The importance of stability of rates is well emphasized in this extract from one of the Board's annual reports: "There have been no

rate wars and consequent disturbance of business in Iowa the past two years. The stable character of Iowa rates which have been in force, with only such slight changes as have been made in classification from time to time, is approved on every hand. While rate cutting has been in vogue in the States around us and the troubled waves have surged up against our very borders, wasting the energies of the great corporations and the revenues of the stockholders, Iowa has been largely free from the devastating and demoralizing influences; and with the curtailing of rebates, secret rates, free passes, and other special privileges which the few formerly enjoyed at the expense of the many, there has followed steady rates and increased revenues, more than sufficient to make up for any deficiency caused by reductions of local rates. The evil effects of rate wars on business are also unknown here, and instead we have steady rates and uniform charges shared alike by all." And the Iowa Commission has taken authority over baggage, ticket and shipping regulations, violation of contract, cases of trespass, lack of transfer facilities, and causes of accidents. No doubt the main feature of the existing law, the Commission with Power, is that which gives the Board of Commissioners authority to fix maximum rates, and if this is feasible in Iowa, with its great network of railways, it should be feasible in Canada, where we have practically only the two through roads, each operating in older Canada under very similar conditions and substantially under a joint tariff which would form the basis of the schedules that would be made by the Commissioners.

XXXIII.

We can have no satisfactory regulation of railways by means of the Railway Committee. The members of this Committee have other onerous duties and it is impossible for the ordinary shipper to carry his grievance to the Capital. The Commissioner must go to the shipper, and the cost of investigation must be taken off the shipper's shoulders. It should be possible to approach even a monopoly on the side of its self interest, and if in the west the Canadian Pacific Railway will recognize that only by putting rates to the very bottom can it hope to escape the construction of competing lines and the consequent division and diversion of its business, and will make it a deliberate policy to deserve monopoly of the traffic, then in a few years western Canada should have lower freight charges than any other part of the American continent, and this would be an enormous advantage to the western producer. By regulated monopoly we can get lower charges than by wasteful competition, but of course monopoly that will not submit to regulation must meet competition. So in older Canada revision and control of local and through charges would remove some crying evils, and it may be we can so order it that for the future the Canadian railways shall be the agents of Canadian rather than of American industries and of Canadian rather than American ports. In the language of a Justice of the Supreme Court of the United States: "The highways in a State are the highways of the State. Convenient ways and means of inter-communication are the first evidence of

the civilization of a people. The highways of a country are not of private but of public institution and regulation. In modern times, it is true, government is in the habit in some countries of letting out the construction of important highways requiring a large expenditure of capital to agents, generally corporate bodies created for the purpose, and giving to them the right of taxing those who travel or transport goods thereon as a means of obtaining compensation for their outlay. But a superintending power over the highways, and the charges imposed upon the public for their use, always remains in the government. This is not only its indefeasible right, but it is necessary for the protection of the people against extortion and abuse. These propositions we deem to be incontrovertible."